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PROJECT NO. 53493

EMERGENCY RESPONSE
SERVICE§
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§PUBLIC UTILITY COMMISSION
OF
TEXAS

COMMENTS OF TEXAS ADVANCED ENERGY BUSINESS ALLIANCE
ON PROPOSED AMENDMENTS TO ERS RULE

Texas Advanced Energy Business Alliance (TAEBA) hereby submits these comments on the Commission's proposed amendments to P.U.C. Subst. R. 25.507 as approved at the June 16, 2022 Open Meeting. TAEBA includes local and national advanced energy companies seeking to make Texas's energy system secure, clean, reliable, and affordable. Advanced energy technologies include energy efficiency, energy storage, demand response, solar, wind, hydro, nuclear, and electric vehicles (EVs). Used together, these technologies and services will create and maintain a higher performing energy system — one that is reliable, resilient, diverse, and cost effective — while also improving the availability and quality of customer facing services. TAEBA's membership also includes advanced energy buyers, representing the interests of large electricity consumers interested in increasing their purchases of advanced energy to meet clean energy and sustainability goals.

TAEBA appreciates the opportunity to provide comments on an important tool in ERCOT's "reliability toolbox," emergency response service (ERS). ERS is a well-established reliability demand response (DR) program that has helped ensure grid reliability for years. In Winter Storm Uri, ERS was deployed by ERCOT as one of its first lines of defense as generation units were tripping off. In the summer of 2019, ERS deployment enabled ERCOT to avoid exceeding Energy Emergency Alert Level 1 (EEA1). ERS also kept the lights on during the Polar Vortex event in 2014. While ERS is not a "silver bullet" and by itself would not have kept the system from reaching EEA Level 3 during Winter Storm Uri given the severity of the event, DR is an integral part of the reliability toolbox that grid operators can use when stabilizing the system. Review and reform of ERS was included in Phase 1 of the Commission's blueprint adopted on January 13, 2022,¹ and TAEBA appreciates the Commission's inclusion of demand response reform in its policy priorities.

¹ Project No. 52373, *Review of Electric Wholesale Market Design*, Approval of Blueprint for Wholesale Electric Market Design and Directives to ERCOT, January 2022

The ERS Budget Cap Should Be Set Higher

In proposed paragraph (b)(2), the Commission would increase the ERS budget from \$50 million to \$75 million in a 12-month period, with an additional provision allowing ERCOT to expend an additional \$25 million for ERS contract renewals during a period where ERS has been exhausted. TAEBA supports a budget increase, including the additional provision to address exhausted contracts, but the proposed budget falls substantially short. As noted in Chairman Lake's memo in this project dated June 15, 2022, the Commission has already directed ERCOT to deploy ERS prior to entering Energy Emergency Alert (EEA) conditions, thus increasing the cost of ERS. TAEBA agrees. Additionally, provisions in the proposed rule that would extend the obligations of an ERS provider from eight cumulative hours to 24 cumulative hours add additional costs that must be considered in determining a budget. Further, the existing \$50 million budget cap was set in 2007 and should be increased to account for inflation. The existing cap has had the effect of capping the size of the program to approximately 1000 MW, thus limiting the potential of this key reliability tool. To account both for inflation (with the 2007 cap of \$50 million requiring a minimum of roughly \$25 million in additional expenditure just to maintain current procurement levels) and for the increased procurement costs that the Commission is creating by changing the nature of the ERS product, the budget must be set higher. This is especially true given that ERS expenditures can help to deploy cost-effective capacity needed to meet future resource adequacy targets, and are therefore likely to decrease overall costs. TAEBA recommends that the budget cap be increased to at least \$200 million, with an annual escalation factor to cover the cost of inflation going forward.

Participation in ERS Should be Expanded to Promote Competition

TAEBA continues to recommend that the Commission take action in this rulemaking to encourage additional competition in the provision of ERS. Currently, ERCOT has a 10-minute response time product and a 30-minute response time product. Customer loads vary widely in their response time capabilities, and if longer response times were allowed, it could encourage a wider diversity of load participation across all customer classes. For example, in addition to 10 or 30-minute products, ERCOT should consider 1-hour, 2-hour or longer DR products. It would be reasonable and appropriate to expect that ERCOT's ERS procedures could facilitate higher valuation of faster response times, in contrast to the current procurement mechanism which values (and therefore prices) 10-minute and 30-minute response times identically.



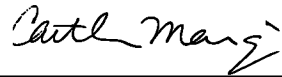
Conclusion

TAEBA appreciates the Commission Staff's consideration of these comments and stands ready to work with the Commission, Commission Staff, and stakeholders to make the changes necessary to bring additional emergency demand response to ERCOT.

Respectfully submitted,



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COMMENTS OF TEXAS ADVANCED ENERGY BUSINESS ALLIANCE
ON STAFF DISCUSSION DRAFT

EXECUTIVE SUMMARY

- TAEBA supports increasing the ERS budget, including an additional budget cushion to address exhausted contracts. However, the proposed budget is too low to address both inflation and the additional costs the Commission is creating by modifying the nature of ERS. The budget should be a minimum of \$200 million, with an annual inflation adjustment factor.
- Customer loads vary widely in their response time capabilities, and if longer response times were allowed, it could encourage a wider diversity of load participation across all customer classes. In addition to 10 or 30-minute products, ERCOT could consider 1 hour, 2-hour or longer DR products.

